

## Department of Labor and Industries

### Fraud prevention and detection are important to Washington's economic vitality

- Cheating the workers' compensation system is **NOT** a victimless crime.
- Fraud takes its toll on honest people and businesses in numerous ways:
  - Businesses and workers pay more if some employers underpay or don't pay at all.
  - Construction companies who play by the rules are underbid and lose jobs to illegitimate employers who do not pay their fair share.
  - Workers who scam the system hurt their co-workers because workers in Washington State pay around 25 percent of their workers' comp premium costs.
- We must stop fraud and abuse to keep our workers' compensation system healthy and to protect the honest employers, workers and health-care providers who rely on it.

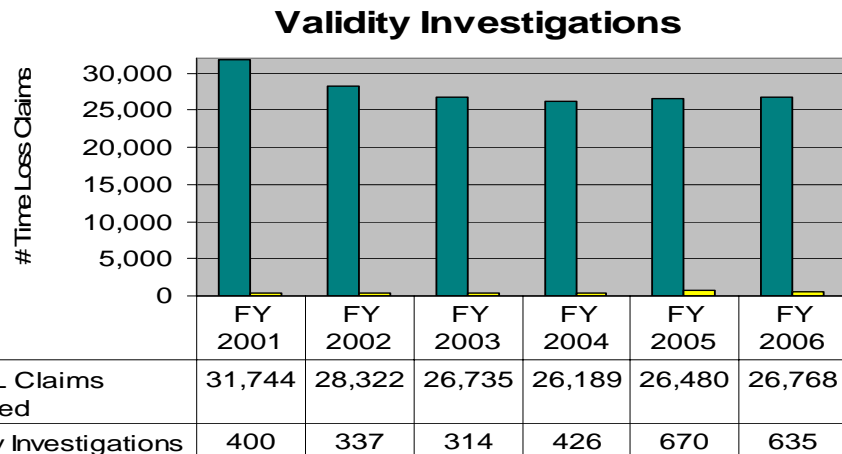
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## Business compliance audits: Recent changes

- **Mail-in audit process:** These single-issue or limited-scope audits are less time-consuming for employers. L&I began using this streamlined process in the last quarter of FY2006 and plans to expand it FY2007.
- **Out-of-state audits:** In FY2006, audits of four out-of-state firms alone collected \$1.5 million in additional premiums. L&I plans to audit more large out-of-state firms using additional targeting information.
- **New field audit computer system:** With funds authorized by the legislature in March, L&I will replace its field audit computer system in FY2007. The new system will streamline data entry and simplify retrieval of information used to combat fraud and abuse to further increase the number of audits L&I auditors can produce.
- **Six new inspectors:** While checking for compliance with contractor and electrical requirements, these inspectors also increase our ability to fight fraud. In the first six weeks they were on the road, they made audit referrals worth \$360,000.
- **Action on legislative change:** In 2004, the Legislature changed the law governing successorship. Employers are no longer able to avoid premiums by closing a business and reopening a new one. In FY2006, L&I used this new law 174 times and collected \$1.6 million.

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## Reasons for Investigating Workers' Compensation Claims



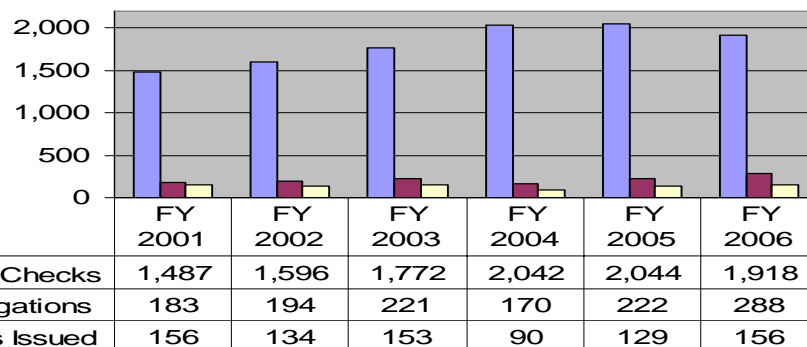
### Ensuring claims are valid

- Assist claims adjudicators in deciding if an injury actually occurred on the job and is allowable.
- Claims found to be invalid are denied and the cost of the claim ends.
- The data displayed in the chart does not include additional activities performed by claims adjudicators to ensure claim validity.

### Ensuring workers are not abusing the system

- Activity checks help determine whether a claimant's current activities conform to the physical limitations that justify benefits.
- Fraud investigations help determine when a claimant may be receiving benefits by fraudulent means (such as working under the table while claiming to be unable to work)
  - If fraud is substantiated, a civil fraud order is issued demanding repayment of benefits plus a 50% penalty.
  - Criminal charges are sought in the most egregious cases and are pursued through county prosecutors

### Activity Checks that Resulted in Fraud Investigations and Fraud Orders



L&I pays time loss benefits on about 50,000 claims each year